

## Accounts Fundamental Part 1

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**1.** Mr.Customer purchased goods from Mr.Seller on credit. This is a/an

- A. Event
  - B. Transaction
  - C. Both (a) and (b)
  - D. None of the above
- 

**2.** The first step of accountancy is

- A. Journal Entry
  - B. Ledger Posting
  - C. Balancing of Accounts
  - D. Trial Balance
- 

**3.** Cash is an example of

- A. Personal Account
  - B. Real Account
  - C. Nominal Account
  - D. Both (a) and (b)
- 

**4.** Net Realisable Value of an asset means

- A. The historical cost of the asset
  - B. Its sale value as on a particular date
  - C. Its written down value as on a particular date
  - D. None of the above
- 

**5.** Transfer to General Reserve is a charge against

- A. Trading Account
  - B. Profit and Loss Account
  - C. Profit and Loss Appropriation Account
  - D. Balance Sheet
- 

**6.** All indirect expenses are charged against

- A. Trading Account
  - B. Profit and Loss Account
  - C. Manufacturing Account
  - D. None of the above
- 

**7.** The aggregate of direct material, direct labour and direct expenses is known as

- A. Product Cost
  - B. Manufacturing Cost
  - C. Prime Cost
  - D. Production Cost
- 

**8.** A part of the profit distributed to the shareholders is known as

- A. Reserve & Surplus
  - B. Retained Earnings
  - C. Dividend
  - D. Net Profit
- 

**9.** The cost of a machine is Rs.5,70,000. Its scrap value is Rs.25,000 and useful life is 10 years. The depreciation amount under Straight Line Method is

- A. Rs.57,000
  - B. Rs.59,500
  - C. Rs.54,500
  - D. Rs.50,000
- 

**10.** The account which can never have a credit balance is

- A. Bank
-

- B. Cash
  - C. Debtor
  - D. Creditor
- 

11. The short description of a transaction written at the end of a journal entry is known as \_\_\_\_\_.

- A. Summary
  - B. Narration
  - C. Memo
  - D. Info
- 

12. The basic unit of measurement of the accounting system is \_\_\_\_\_.

- A. Money
  - B. Finance
  - C. Weight
  - D. None of the above
- 

13. Business ventures, which are started for a predefined period, are known as \_\_\_\_\_ ventures

- A. Joint
  - B. Terminal
  - C. Treminable
  - D. Limited Period
- 

14. Depreciation is not charged on \_\_\_\_\_.

- A. New assets
  - B. Land
  - C. Building
  - D. None of the above
- 

15. Cash payments are recorded on the \_\_\_\_\_ of the Cash Book.

- A. Debit side
  - B. Credit side
  - C. Both sides
  - D. Any one side
- 

16. All events are transactions but all transactions are not events.

- A. True
  - B. False
- 

17. In Double Entry System of Book Keeping, the total of Debit balances may not be equal to the total of Credit balances, in certain situations, even if transactions are recorded correctly.

- A. True
  - B. False
- 

18. Capital of the business is an example of external liability.

- A. True
  - B. False
- 

19. If the totals of debit and credit columns of a Trial Balance are equal, it implies correctness of books of accounts.

- A. True
  - B. False
- 

20. The accounts of a company may be maintained using Single Entry System of Book Keeping also.

- A. True
  - B. False
- 

21. Arrange the steps of accounting in sequential order -

- (i) Trial Balance;
  - (ii) Journal Entry;
  - (iii) Balancing of Accounts;
  - (iv) Ledger Posting.
- A. (i),(ii),(iii),(iv)  
B. (ii),(iii),(iv),(i)  
C. (ii),(iv),(i),(iii)  
D. (ii),(iv),(iii),(i)
- 

**22.** Which of the following events is not a transaction?

- A. Mr. Employer paid salary of Rs.9,000 to Mr. Employee.
  - B. Rahul sold his bicycle to Rohan for Rs.600.
  - C. Abhijeet gifted a book, priced at Rs.800, to Amit.
  - D. None of the above.
- 

**23.** Choose the odd one out

- A. Wages
  - B. Stationery
  - C. Sales
  - D. Furniture
- 

**24.** Copyright is an example of

- A. Real Account
  - B. Asset
  - C. Intangible Asset
  - D. All of the above
- 

**25.** Which of the following equation(s) is(are) true

- A. Assets = Liabilities + Capital
  - B. Assets - Capital = Liabilities
  - C. Both (a) and (b)
  - D. None of the above
- 

**26.** According to the Concept of Conservatism, an accountant should

- A. Recognize all losses and anticipate no gains
  - B. Recognize all gains and anticipate no losses
  - C. Recognize and anticipate both gains and losses
  - D. Both (b) and (c)
- 

**27.** Wages and Salaries is a charge against

- A. Trading Account
  - B. Profit and Loss Account
  - C. Profit and Loss Appropriation Account
  - D. Balance Sheet
- 

**28.** All credit sales are recorded in

- A. Sales Day Book
  - B. Sales Credit Book
  - C. Sales Day Account
  - D. Sales Day Register
- 

**29.** The cost of a machine is Rs.6,00,000. The rate of depreciation is 10%. The depreciation for the 3rd year, on diminishing balance method, is

- A. Rs.60,000
  - B. Rs.54,000
  - C. Rs.48,600
  - D. Rs.43,740
-

30. The life span of a company is dependent on the life span of the

- A. Owner(s) of the company
  - B. Promoter of the company
  - C. Managing Director of the company
  - D. None of the above
- 

31. WDV stands for

- A. Written Down Valuation
  - B. Write Down Value
  - C. Written Down Value
  - D. Writing Down Value
- 

32. WIP stands for

- A. Working Progress
  - B. What-in-Progress
  - C. Work-in-Progress
  - D. Works-in-Progress
- 

33. E. & O.E.

- A. Errors & Omissions Expected
  - B. Error & Omission Expected
  - C. Errors & Omissions Entered
  - D. Errors & Omissions Excepted
- 

34. HUF stands for

- A. Hindu United Family
  - B. HIIndi Undivided Family
  - C. Hindu Undivided Family
  - D. Hindu Uniform Family
- 

35. An expense incurred to keep the machine in working condition is a capital expenditure.

- A. True
  - B. False
- 

36. Capital + Long-term liabilities = Fixed Assets + Current Assets + Cash - Current Liabilities.

- A. True
  - B. False
- 

37. Providing depreciation ensures sufficient cash for asset replacement.

- A. True
  - B. False
- 

38. Bank Reconciliation statement is prepared to arrive at the Bank Balance.

- A. True
  - B. False
- 

39. An expenditure intended to benefit the current period is revenue expenditure.

- A. True
  - B. False
- 

40. Accrual concept implies accounting on cash basis.

- A. True
  - B. False
- 

41. Depreciation cannot be provided in case of loss, in a financial year.

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- A. True  
B. False
- 

**42.** Deferred Revenue Expenditure is current year's revenue expenditure to be paid in latter years.

- A. True  
B. False
- 

**43.** Fixed Assets are stated in the balance sheet at their market value.

- A. True  
B. False
- 

**44.** Contingent liability is an ascertained liability but its amount and due date are indeterminate.

- A. True  
B. False
- 

**45.** Expenditure, which result in acquisition of permanent assets, is a capital expenditure.

- A. True  
B. False
- 

**46.** Sale of Office Furniture should be credited to Sales Account.

- A. True  
B. False
- 

**47.** Trial Balance is prepared after the preparation of Profit and Loss Account.

- A. True  
B. False
- 

**48.** Any type of error affects the agreement of Trial Balance.

- A. True  
B. False
- 

**49.** The balance in the Cash Book represents net income.

- A. True  
B. False
- 

**50.** Goodwill is not a fictitious asset.

- A. True  
B. False
- 

### **Answer Sheet**

1.	C	
2.	A	
3.	B	
4.	B	
5.	C	
6.	B	
7.	C	
8.	C	

### Accounts Fundamental Part 1

9.	C	
10.	B	
11.	B	
12.	A	
13.	C	
14.	B	
15.	B	
16.	B	
17.	B	
18.	B	
19.	B	
20.	B	
21.	D	
22.	C	
23.	D	
24.	D	
25.	C	
26.	A	
27.	A	
28.	A	
29.	C	
30.	D	
31.	C	
32.	C	
33.	A	
34.	C	
35.	B	
36.	B	
37.	A	
38.	B	
39.	A	
40.	B	

### Accounts Fundamental Part 1

41.	B	
42.	B	
43.	B	
44.	B	
45.	A	
46.	B	
47.	B	
48.	B	
49.	B	
50.	A	